

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Transfer of Bound Printed Matter  
Parcels to the Competitive Product List

Docket No. MC2021-78

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued April 16, 2021)

To clarify the Postal Service's request to transfer Bound Printed Matter Parcels (BPM Parcels) to the competitive product list, filed March 26, 2021,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than April 23, 2021.

The questions are derived from a motion filed by the Parcel Shipper's Association (PSA), which asserts that the questions seek "relevant to whether, in fact, the Postal Service exercises sufficient market power to avoid losing business to other firms if it sets the price for BPM Parcels substantially above costs, raises prices significantly, decreases quality or decreases output."<sup>2</sup>

The proposed questions 1 and 2 have been edited to more broadly ask for data and analyses germane to the requested information. The subparts of the proposed question 3 have been consolidated into a single question. The description of the Cost and Revenue Analysis data referenced in the proposed question 5.a. has been revised to match the source. Question 6 has been edited to reduce the amount of material quoted from the Request. The proposed question 10 has been omitted due to being

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<sup>1</sup> United States Postal Service Request to Transfer Bound Printed Matter Parcels to the Competitive Product List, March 26, 2021 (Request).

<sup>2</sup> Motion of Parcel Shippers Association for Issuance of Information Request, April 14, 2021, at 2 (Motion).

outside the scope of this proceeding. The remaining questions are asked verbatim other than the addition of a citation and minor typographical edits.

1. Please provide any available data or analyses regarding the volume and revenue shares of BPM Parcels and the competing products identified in the Request, including underlying calculations and source documents.
2. Please refer to page 4 of the Request where it states, "BPM Parcels typically carry books, other non-advertising publications, and larger catalogs." Please provide any available data or analyses showing disaggregated revenue, pieces, and weight data for the listed categories or any other categories.
3. Please refer to pages 6-7 of the Request where it states, "BPM Parcels competes primarily against products offered by United Parcel Service (UPS) and FedEx Corporation (FedEx). Both companies offer a service called 'Ground.' Neither product has a content restriction. Both charge by the pound and by zone for ground deliveries of packages large and small (up to 150 pounds). Delivery within the continental United States is guaranteed within five days." Please refer further to page 4 of the Request where it states, "Transportation of BPM Parcels is by ground, with a service standard of 2-9 days, though the Postal Service does not guarantee delivery within this time." Please provide the distribution of service standards across the 2-9 day range for BPM Parcels.
4. Please refer to page 10 of the Request where it states, "There are, conceivably, circumstances in which the Postal Service might exercise monopoly power over BPM Parcels. Assuming, for the sake of argument, that the Postal Service were the only competitor logistically capable of providing last-mile delivery, other competitors seeking to deliver BPM Parcels would be compelled to route their packages through the Postal Service, paying accordingly. In such a case, the Postal Service could, with impunity, raise prices significantly above cost and degrade service delivery times, all without losing business. Competitors and customers would have no alternatives." Please confirm that if the prices offered

by USPS competitors that have their own last-mile delivery networks are substantially higher than USPS BPM Parcel prices for packages with similar characteristics, then USPS would have substantial power over the BPM Parcels market. If not confirmed without qualification, please explain your response fully.

5. Please refer to the Postal Service's FY 2020 Public Cost and Revenue Analysis.<sup>3</sup>
  - a. Please confirm that the FY 2020 systemwide cost coverage across all Market Dominant products was 155.9% (\$72,341.6 million / \$46,414.4 million). If not confirmed, please provide the correct figure and all underlying calculations.
  - b. Please confirm that if the BPM Parcel product had the systemwide cost coverage, its FY 2020 average revenue per piece would have been \$1.841. If not confirmed, please provide the correct figure, all underlying calculations, and explain fully.
  - c. Please confirm that this hypothetical BPM Parcel average revenue per piece (at systemwide cost coverage) figure is significantly lower than UPS and FedEx Ground published prices. If not confirmed, please explain fully.
6. Please refer to page 12 of the Request where it states: "UPS, for example, retains some volume for its own last-mile network where it has sufficient delivery density. This practice is made explicit in UPS's most recent contract with the Teamsters union. The contract requires UPS to identify when SurePost packages are destined to multiple addresses in close proximity to one another and retain those packages for delivery rather than delivering them through the Postal Service."
  - a. Please confirm that this contract provision requiring UPS select some SurePost packages to be delivered by UPS drivers includes no language

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<sup>3</sup> Docket No. ACR2020, Library Reference USPS-FY20-1, December 29, 2020.

regarding USPS package delivery prices. If not confirmed without qualification, please explain fully.

- b. What percentage of UPS SurePost packages that would qualify as BPM Parcel packages, if delivered by the Postal Service, are instead delivered by UPS drivers? Please provide all underlying calculations.
  - c. What percentage of UPS SurePost packages that would qualify as BPM Parcel packages, if delivered by the Postal Service, destinate in sufficiently close proximity to other UPS package deliveries that they are required to be delivered by UPS drivers? Please provide all underlying calculations.
7. Please refer to pages 7-8 of the Request where it states, “UPS and FedEx commercial customers generally do not pay published rates but rather obtain negotiated rates such that the average rates actually paid are lower than the published rates would suggest.”
- a. On average, how much lower than published rates are UPS Ground and FedEx Ground negotiated rates? Please provide the basis of your response and all underlying calculations.
  - b. On average, how much lower than published rates are UPS Ground and FedEx Ground negotiated rates for parcels that are eligible for Bound Printed Matter Parcel rates? Please provide the basis of your response and all underlying calculations.
  - c. Please provide all Postal Service studies regarding how much lower UPS Ground and FedEx Ground negotiated rates are than published rates.
8. Please provide all USPS documents, studies, and analyses regarding the near-term and longer-term pricing of packages currently shipped as BPM Parcels if the PRC approves the proposed BPM Parcel transfer and the financial impact of the BPM Parcel transfer and resulting higher prices on Postal Service finances.

9. Please provide all USPS documents related to and studies and analyses of whether the BPM Parcel product meets the statutory definition of a Market-Dominant product.

By the Chairman.

Michael Kubayanda